

Thrivent Small Cap Stock Fund

Q4 2023 Commentary

TSCSX (Class S) • December 29, 2023

Management



Matthew Finn, CFA
VP, Head of Equity Funds

Industry: 1985
Firm: 2004
Fund: 2013



James Tinucci, CFA
Senior Portfolio Manager

Industry: 2008
Firm: 2014
Fund: 2015



Katelyn Young, CPA
Senior Portfolio Manager

Industry: 2010
Firm: 2022
Fund: 2023

Executive Summary

- The Fund underperformed the Russell 2000 Index over the past quarter and year, driven mostly by security selection. The largest detractors to the quarter were within the Health Care sector and over the past year within the Consumer Discretionary sector.
- New positions were initiated in multiple sectors, taking advantage of the volatility in stock prices.
- The focus remains on finding solid companies that are attractively priced with long runways for growth in sales, income, and free cash flow.

Performance factors

During the past quarter, the Fund underperformed due to security selection. Negative security selection was led by the Health Care and Industrials sectors, while Real Estate was the largest positive contributor. The largest detractor within the Health Care sector was Maravai LifeSciences, a manufacturer and product supplier of catalysts to biopharma companies. Customer funding challenges and high industry inventory levels of their products led to lower sales than expected. Hydraulic and electronic controls manufacturer Helios Technologies was the largest detractor to stock selection within Industrials, as weak demand continued to weigh on results. We remain positive about Helios.

The Fund's sector weightings result from our security selection based on bottom-up industry and company research. Sector allocation impact for the quarter was small in most sectors except for the underweighting in the Energy sector, which was the largest contributor to positive allocation performance, offset somewhat by the underweighting in the biotechnology sub-sector, contributing to negative allocation performance.

During the quarter we initiated a position in Option Care Health, a provider of infusion therapy services to patients nationwide. The opportunity to own this well-positioned company presented itself after it was on our screens and an analyst suggested we look at it. Our research uncovered the massive labor productivity savings over the next few years as volumes mixed towards out-patient centers from in-home infusions, leading to faster profit dollar growth. Our expectation of improved operating outcomes coupled with a long runway for continued growth allowed us to add a quality company to the portfolio at an attractive price.

Over the past 12 months, the Fund underperformed due to security selection. Negative security selection was led by the Consumer Discretionary sector. Zumiez, a mall-based retailer of non-mainstream apparel and hard goods was the largest detractor in the sector. The position was reviewed, and we sold the company earlier in the year.

Sector allocation for the past year was positive in most sectors, with the largest positive contributor being the underweighted biotechnology sub-sector.

Portfolio outlook

With the current level of business uncertainty and the Federal Funds rate remaining unchanged during the quarter, it is unclear how much and how long the economy will be impacted. However, investor sentiment about the economy fluctuates much more rapidly and with greater amplitude than actual changes in activity. These swings in economic sentiment often result in sharp movements in stock prices, which can present opportunities. As a result, positions were added to or initiated in multiple sectors, while other positions were reduced or sold as investment theses played out or proved no longer valid. Our focus remains on finding solid companies that are attractively priced with long runways ahead of them for growth in sales, income, and free cash flow.

Performance

For the period ending December 29, 2023 • Periods less than one year are not annualized.

Average annualized returns (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since Inception
Thrivent Small Cap Stock Fund — S share	11.41	12.47	12.47	7.71	14.43	10.59	9.09
- Expense ratio: 0.82%; Incept. date 12/29/1997							
Russell 2000 Index	14.03	16.93	16.93	2.22	9.97	7.16	
S&P SmallCap 600® Index	15.12	16.05	16.05	7.28	11.03	8.66	
Morningstar Small Blend Avg	12.75	16.18	16.18	6.32	10.86	7.17	

Learn more: thriventfunds.com • Advisors: 800-521-5308 | sales@thriventfunds.com • Investors: 800-847-4836 | contact your advisor

Top 10 Holdings (excluding derivatives and cash) 19.85% of Fund, as of Nov 30 2023: TTM Tech, Inc.: 2.93%, Badger Infrastruct Sols Ltd: 2.28%, RLI Corp: 2.08%, Ally Fin, Inc.: 1.96%, Air Lease Corp: 1.90%, United States Lime & Minerals Inc: 1.81%, National Storage Affiliates Trust: 1.78%, Plexus Corp: 1.74%, Houlihan Lokey, Inc.: 1.71%, Maximus, Inc.: 1.66%

Any indexes shown are unmanaged and do not reflect the typical costs of investing. Investors cannot invest directly in an index.

Russell 2000® Index measures the performance of U.S. small capitalization equities.

S&P SmallCap 600® Index represents the average performance of a group of 600 small capitalization stocks.

The Morningstar average represents the average total return annualized when greater than one year for all reported funds in the category. Morningstar averages do not include sales charges/fees. If included, returns would have been lower. ©2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Risks: Smaller, less seasoned companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. The Fund's value is influenced by a number of factors, including the performance of the broader market, and risks specific to the Fund's asset classes, investment styles, and issuers. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. Securities markets generally tend to move in cycles with periods when security prices rise and periods when security prices decline. These and other risks are described in the prospectus.

This commentary may refer to specific securities which Thrivent Mutual Funds may own. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on thriventfunds.com.

All data represents past performance. Past performance does not guarantee future results. The investment return and principal value of the investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance data quoted. Call 800-847-4836 or visit thriventfunds.com for performance results current to the most recent month-end.

Investing involves risks, including the possible loss of principal. The prospectus and summary prospectus contain more complete information on the investment objectives, risks, charges and expenses of the fund, and other information, which investors should read and consider carefully before investing. Prospectuses and summary prospectuses are available at thriventfunds.com or by calling 800-847-4836.

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